

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 EB-11 CIEP-02 FRB-02 RSC-01

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 4455

LIMITED OFFICIAL USE ISLAMABAD 4030

E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: REQUEST FOR INFORMATION ON FOREIGN REGULATIONS
OF FOREIGN BANKS

REF: STATE A-1911

1. FOREIGN BANKS IN PAKISTAN ARE REGULATED AT NATIONAL
RATHER THAN LOCAL LEVEL. US BANKERS REPORT THAT ONLY
SIGNIFICANT GOP REGULATIONS OR PRACTICES APPLICABLE ONLY TO
FOREIGN BANKS WHICH ADVERSELY AFFECT THEIR
OPERATIONS ARE (A) RESTRICTION ON BRANCH
EXPANSION AND (B) REGULATION OF ACCEPTANCE OF DEPOSITS.

2. GOP HAS NO SPECIFIC PROHIBITION AGAINST ESTABLISHMENT
OF BRANCH BANKS BUT AUTHORIZATION FOR EACH BRANCH IS
REQUIRED. NO US BANK HAS MADE FORMAL APPLICATION FOR
ESTABLISHMENT OF BRANCH BANK WITHIN PAST SEVERAL YEARS.
HOWEVER, GOP OFFICIALS INDICATED THAT SUCH WOULD BE REFUSED
AND FOLLOWING JAN 1 NATIONALIZATION DOMESTICALLY OWNED
BANKS GOP FINMIN MUBASHIR HASAN STATED THAT FOREIGN BANKS
WOULD NOT BE PERMITTED TO EXPAND.

3. GOP HAS ORDINANCE PERMITTING IT TO REGULATE DEPOSITS IN FOREIGN
BANKS. THIS ORDINANCE HAS NOT BEEN SPECIFICALLY INVOKED BUT FOL-

LOWING GOP NATIONALIZATION OF DOMESTICALLY OWNED BANKS JAN.

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1 GOP FINMIN MUBASHIR HASAN AND OTHER OFFICIALS TOLD

OFFICIALS OF FOREIGN OWNED BANKS THEY MUST NOT INCREASE DEPOSITS
BY ACCEPTING WITHDRAWALS FROM NATIONALIZED BANKS.

4. FOREIGN BANKS MUST OBTAIN WORK PERMITS FOR FOREIGN
PERSONNEL UNDER REGULATIONS PROMOTING "PAKISTANIZATION"
OF COMMERCE AND INDUSTRY BUT PERMITS USUALLY OBTAINED WITHOUT
MUCH DIFFICULTY AND ACCORDING TO US BANKERS PRESENTS NO
PROBLEM.

5. AIRGRAM WITH EXCERPTS OF GOP LEGISLATION CONCERNING OPERATION
OF FOREIGN BANKS FOLLOWS.
BYROADE

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